

# **BERKELEY UNIFIED SCHOOL DISTRICT**

Audit Report

## **COLLECTIVE BARGAINING PROGRAM**

Chapter 961, Statutes of 1975,  
and Chapter 1213, Statutes of 1991

*July 1, 2001, through June 30, 2004*



**JOHN CHIANG**  
California State Controller

October 2007



**JOHN CHIANG**  
**California State Controller**

October 24, 2007

Michele Lawrence, Superintendent  
Berkeley Unified School District  
2134 Martin Luther King Jr. Way  
Berkeley, CA 94704

Dear Ms. Lawrence:

The State Controller's Office audited the costs claimed by the Berkeley Unified School District for the legislatively mandated Collective Bargaining Program (Chapter 961, Statutes of 1975, and Chapter 1213, Statutes of 1991) for the period of July 1, 2001, through June 30, 2004.

The district claimed and was paid \$502,206 for the mandated program. Our audit disclosed that \$416,401 is allowable and \$85,805 is unallowable. The unallowable costs occurred primarily because the district claimed unsupported and ineligible costs. The State will offset \$85,805 from other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

If you disagree with the audit findings, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (CSM). The IRC must be filed within three years following the date that we notify you of a claim reduction. You may obtain IRC information at CSM's Web site, at [www.csm.ca.gov](http://www.csm.ca.gov) (Guidebook link); you may obtain IRC forms by telephone, at (916) 323-3562, or by e-mail, at [csminfo@csm.ca.gov](mailto:csminfo@csm.ca.gov).

If you have any questions, please contact Jim L. Spano, Chief, Mandated Cost Audits Bureau, at (916) 323-5849.

Sincerely,

*Original signed by*

**JEFFREY V. BROWNFIELD**  
Chief, Division of Audits

JVB/wm

cc: Eric D. Smith, Deputy Superintendent  
Berkeley Unified School District  
Tina Brier, Director of Classified Personnel  
Berkeley Unified School District  
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Sheila Jordan, County Superintendent of Schools  
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# Audit Report

## Summary

The State Controller's Office (SCO) audited the costs claimed by the Berkeley Unified School District for the legislatively mandated Collective Bargaining Program (Chapter 961, Statutes of 1975, and Chapter 1213, Statutes of 1991) for the period of July 1, 2001, through June 30, 2004. The last day of fieldwork was June 27, 2007.

The district claimed and was paid \$502,206 for the mandated program. Our audit disclosed that \$416,401 is allowable and \$85,805 is unallowable. The unallowable costs occurred primarily because the district claimed unsupported and ineligible costs. The State will offset \$85,805 from other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

## Background

In 1975, the State enacted the Rodda Act (Chapter 961, Statutes of 1975), requiring the employer and employee to meet and negotiate, thereby creating a collective bargaining atmosphere for public school employers. The legislation created the Public Employment Relations Board to issue formal interpretations and rulings regarding collective bargaining under the Act. In addition, the legislation established organizational rights of employees and representational rights of employee organizations, and recognized exclusive representatives relating to collective bargaining.

On July 17, 1978, the Board of Control (now the Commission on State Mandates [CSM]) determined that the Rodda Act imposed a state mandate upon school districts reimbursable under Government Code section 17561.

Chapter 1213, Statutes of 1991, added Government Code section 3547.5, requiring school districts to publicly disclose major provisions of a collective bargaining effort before the agreement becomes binding.

On August 20, 1998, CSM determined that this legislation also imposed a state mandate upon school districts reimbursable under Government Code section 17561. Costs of publicly disclosing major provisions of collective bargaining agreements that districts incurred after July 1, 1996, are allowable.

Claimants are allowed to claim increased costs. For claim components G1 through G3, increased costs represent the difference between the current-year Rodda Act activities and the base-year Winton Act activities (generally, fiscal year 1974-75), as adjusted by the implicit price deflator. For components G4 through G7, increased costs represent actual costs incurred.

The seven components are as follows:

- G1–Determining bargaining units and exclusive representatives
- G2–Election of unit representatives
- G3–Costs of negotiations
- G4–Impasse proceedings
- G5–Collective bargaining agreement disclosure
- G6–Contract administration
- G7–Unfair labor practice costs

The program's parameters and guidelines establish the state mandate and define reimbursement criteria. CSM adopted the parameters and guidelines on October 22, 1980, and last amended them on January 27, 2000. In compliance with Government Code section 17558, the SCO issues claiming instructions for mandated programs, to assist local agencies and school districts in claiming reimbursable costs.

## **Objective, Scope, and Methodology**

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Collective Bargaining Program for the period of July 1, 2001, through June 30, 2004.

Our audit scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

We conducted the audit according to *Government Auditing Standards*, issued by the Comptroller General of the United States, and under the authority of Government Code sections 12410, 17558.5, and 17561. We did not audit the district's financial statements. We limited our audit scope to planning and performing audit procedures necessary to obtain reasonable assurance that costs claimed were allowable for reimbursement. Accordingly, we examined transactions, on a test basis, to determine whether the costs claimed were supported.

We limited our review of the district's internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

## **Conclusion**

Our audit disclosed instances of noncompliance with the requirements outlined above. These instances are described in the accompanying Summary of Program Costs (Schedule 1) and in the Findings and Recommendations section of this report.

For the audit period, the Berkeley Unified School District claimed and was paid \$502,206 for costs of the Collective Bargaining Program. Our audit disclosed that \$416,401 is allowable and \$85,805 is unallowable.

The State paid the district \$502,206. Our audit disclosed that \$416,401 is allowable. The State will offset \$85,805 from other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

**Views of  
Responsible  
Official**

We issued a draft audit report on August 31, 2007. Ms. Javetta Robinson, CPA, Deputy Superintendent, responded by letter dated October 9, 2007 (Attachment), disagreeing with Finding 1. The district did not respond to Finding 2. This final audit report includes the district's response.

At the district's request, we met with the district's consultant to discuss and resolve Finding 1 adjustments. We met with the consultant on October 19, 2007, and provided him with supplemental worksheets that detailed the specific findings. We discussed the draft audit report findings with the district's consultant and agreed to the revisions identified in this report. The audit adjustment presented in the draft audit report is reduced by \$9,271, from \$95,076 to \$85,805.

**Restricted Use**

This report is solely for the information and use of the Berkeley Unified School District, the Alameda County Office of Education, the California Department of Education, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

*Original signed by*

JEFFREY V. BROWNFIELD  
Chief, Division of Audits

# Schedule 1— Summary of Program Costs July 1, 2001, through June 30, 2004

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2001, through June 30, 2002</u>				
Component activities G1 through G3:				
Salaries and benefits	\$ 53,769	\$ 35,462	\$ (18,307)	Finding 1
Contracted services	12,779	12,779	—	
Subtotal	66,548	48,241	(18,307)	
Less adjusted base year direct costs	(6,593)	(6,593)	—	
Total increased direct costs, G1 through G3	59,955	41,648	(18,307)	
Component activities G4 through G7:				
Salaries and benefits	37,567	27,048	(10,519)	Finding 1
Contracted services	11,639	7,061	(4,578)	Finding 2
Total increased direct costs, G4 through G7	49,206	34,109	(15,097)	
Total increased direct costs, G1 through G7	109,161	75,757	(33,404)	
Indirect costs	4,737	3,126	(1,611)	Finding 1
Total program costs	<u>\$ 113,898</u>	78,883	<u>\$ (35,015)</u>	
Less amount paid by the State		(113,898)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (35,015)</u>		
<u>July 1, 2002, through June 30, 2003</u>				
Component activities G1 through G3:				
Salaries and benefits	\$ 116,400	\$ 93,782	\$ (22,618)	Finding 1
Contracted services	51,351	49,902	(1,449)	Finding 2
Subtotal	167,751	143,684	(24,067)	
Less adjusted base year direct costs	(6,740)	(6,740)	—	
Total increased direct costs, G1 through G3	161,011	136,944	(24,067)	
Component activities G4 through G7:				
Salaries and benefits	11,625	8,583	(3,042)	Finding 1
Contracted services	19,985	16,306	(3,679)	Finding 2
Total increased direct costs, G4 through G7	31,610	24,889	(6,721)	
Total increased direct costs, G1 through G7	192,621	161,833	(30,788)	
Indirect costs	7,568	5,967	(1,601)	Finding 1
Total program costs	<u>\$ 200,189</u>	167,800	<u>\$ (32,389)</u>	
Less amount paid by the State		(200,189)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (32,389)</u>		



## Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2003, through June 30, 2004</u>				
Component activities G1 through G3:				
Salaries and benefits	\$ 79,454	\$ 67,156	\$ (12,298)	Finding 1
Contracted services	59,498	59,498	—	
Subtotal	138,952	126,654	(12,298)	
Less adjusted base year direct costs	(6,986)	(6,986)	—	
Total increased direct costs, G1 through G3	131,966	119,668	(12,298)	
Component activities G4 through G7:				
Salaries and benefits	4,539	—	(4,539)	Finding 1
Contracted services	44,460	44,460	—	
Total increased direct costs, G4 through G7	48,999	44,460	(4,539)	
Total increased direct costs, G1 through G7	180,965	164,128	(16,837)	
Indirect costs	7,154	5,590	(1,564)	Finding 1
Total program costs	<u>\$ 188,119</u>	169,718	<u>\$ (18,401)</u>	
Less amount paid by the State		(188,119)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (18,401)</u>		
<u>Summary: July 1, 2001 through June 30, 2004</u>				
Total program costs	<u>\$ 502,206</u>	\$ 416,401	<u>\$ (85,805)</u>	
Less amount paid by the State		(502,206)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (85,805)</u>		

<sup>1</sup> See the Findings and Recommendations section.

# Findings and Recommendations

## **FINDING 1— Unallowable salary and benefit costs, and related indirect costs**

The district claimed \$303,354 in employees' salaries and benefits for the audit period. Of that amount, \$232,031 is allowable and \$71,323 is unallowable. The related indirect costs, based on the claimed indirect cost rates for each fiscal year, total \$4,776. The audit adjustment resulted from the following issues.

### **Ineligible Costs**

- The district claimed ineligible costs of \$1,207 for FY 2003-04 for time spent by the district Superintendent.
- The district claimed ineligible costs of \$15,397 in FY 2001-02 for employee development costs, including costs to attend conferences and workshops, which are not reimbursable activities under the mandated program. Of that amount, \$8,867 related to FRISK (employee evaluation procedure) training.

### **Unsupported Hours**

- The district claimed unsupported employee salary and benefit costs totaling \$51,214. The unsupported costs occurred because the district duplicated hours claimed on sign-in sheets (\$30,433), provided insufficient documents to substantiate costs claimed relating to negotiation (\$5,707) and grievances (\$14,338), and in a few instances, provided no support for hours claimed (\$736).
- The district claimed unsupported substitute costs totaling \$10,243. The district did not support its contention that claimed substitutes backfilled bargaining unit representatives during negotiations.
- The district misstated the productive hourly rate, resulting in \$6,738 in understated costs.

The following table summarizes the salary and benefit costs audit adjustment.

	Fiscal Year			Total
	2001-02	2002-03	2003-04	
Salaries and benefits:				
Component activities G1-G3:				
Ineligible superintendent	\$ —	\$ —	\$ (1,207)	\$ (1,207)
Ineligible training and meetings	(12,060)	—	—	(12,060)
Duplicate hours	—	(24,192)	(5,554)	(29,746)
Insufficient documentation	(5,707)	—	—	(5,707)
No support	(540)	—	—	(540)
Unsupported substitute costs	—	(4,478)	(5,765)	(10,243)
Misstated productive hourly rates	—	6,052	228	6,280
Total, component activities G1-G3	<u>(18,307)</u>	<u>(22,618)</u>	<u>(12,298)</u>	<u>(53,223)</u>

	Fiscal Year			Total
	2001-02	2002-03	2003-04	
Component activities G4-G7:				
Ineligible training and meetings	(3,337)	—	—	(3,337)
Duplicate hours	—	(687)	—	(687)
Insufficient documentation	(6,986)	(2,813)	(4,539)	(14,338)
No support	(196)	—	—	(196)
Misstated productive hourly rates	—	458	—	458
Total, component activities G4-G7	(10,519)	(3,042)	(4,539)	(18,100)
Total direct costs	(28,826)	(25,660)	(16,837)	(71,323)
Indirect costs	(1,611)	(1,601)	(1,564)	(4,776)
Audit adjustment	<u>\$ (30,437)</u>	<u>\$ (27,261)</u>	<u>\$ (18,401)</u>	<u>\$ (76,099)</u>

The program's parameters and guidelines state, "Public school employers will be reimbursed for the 'increased costs' incurred as a result of compliance with the mandate." Government Code section 17514 states that "costs mandated by the State" means any increased costs which a school district is required to incur.

The parameters and guidelines state, "Personal development and informational programs, i.e., classes, conferences, seminars, workshops, and time spent by employees attending such meetings are not reimbursable."

The parameters and guidelines state, "The costs for salaries and expenses of the governing authority, for example the School Superintendent and Governing Board, are not reimbursable."

#### Recommendation

We recommend that the district ensure that all claimed costs are properly supported and reimbursable under the mandated program.

#### District's Response

The SCO draft report determined that \$20,547 was attributed to ineligible costs. Of that amount, \$19,340 related to employee development costs, including costs to attend conferences and workshops. The district concurs with the portion associated with FRISK (employee evaluation procedure) training. The district believes that the remaining portion is reimbursable. The districts states that the program's parameters and guidelines allow for reasonable costs incurred for a reasonable number of training sessions held for supervisory and management personnel on contract administration/interpretation of the negotiated contract.

The SCO draft report also determined that \$80,082 was attributed to unsupported costs. Of that amount, \$55,936 related to duplicated costs (\$33,315), insufficient documentation (\$21,885), and costs claimed with no documentation (\$736). The district questioned the following hours.

- 217.51 hours of duplicated costs adjustment for FY 2002-03 [totaling \$8,424]. The district stated that it was not provided the specific source documents supporting the 217.51 hours; therefore, it was unable to reconcile the adjustments.
- 65.10 hours, totaling \$4,539, related to resolution of contract grievances. The district believes that the source documents used to report these costs, and provided to the SCO, clearly state the nature of the grievance and activity being performed.

In the future, the SCO should provide claimants with the detail necessary to address and resolve the issues at hand.

#### SCO's Comment

At the district's request, we met with the district's consultant subsequent to the issuance of the draft report and discussed the specific reasons for each of the audit adjustments. We also provided the consultant with supplemental worksheets that detailed the specific findings. The district did not respond to audit adjustments related to claimed costs with no support, unsupported substitute costs, or misstated productive hourly rates adjustments. Based on our meeting, we reduced the salaries and benefits audit adjustment reported in the draft report by \$8,759, from \$80,082 to \$71,323. The related indirect cost adjustment was reduced by \$512, from \$5,288 to \$4,776. The district's consultant agreed with the revisions identified in this report.

The adjustment to the salaries and benefits finding occurred for the following reasons.

- \$3,943 of the adjusted training costs related to eligible training costs incurred for sessions held for supervisory and management personnel on contract administration/interpretation of the negotiated contract; therefore, we reduced the adjustment from \$19,340 to \$15,397.
- \$2,882 of the adjusted costs related to duplicated hours was not duplicated. Therefore, we reduced the adjustment from \$33,315 to \$30,433.
- \$1,840 of the adjusted costs related to inadequate documentation was supported. Therefore, we reduced the adjustment from \$21,885 to \$20,045.
- \$94 in allowable costs resulting from a misstated productive hourly rate for one employee increased as a result of the increased allowable hours. Therefore, understated costs increased from \$6,644 to \$6,738.

We agree that claimants should be provided documentation in sufficient detail to allow them to understand and respond to audit adjustments.

**FINDING 2—  
Unallowable contract  
services costs**

The district did not provide adequate documentation to support a portion of claimed contract services totaling \$9,706 for the audit period as follows:

- The district claimed cost totaling \$3,918 for FY 2001-02 for attorneys to provide general contract administration-related workshops for employee development.
- The district claimed \$5,788 (\$660 for FY 2001-02 and \$5,128 for FY 2002-03) with no supporting documents.

The following table summarizes the contract services audit adjustment.

	Fiscal Year			Total
	2002-03	2003-04	2004-05	
Salaries and benefits:				
Component G1-G3	\$ —	\$ (1,449)	\$ —	\$ (1,449)
Component G4-G7	(4,578)	(3,679)	—	(8,257)
Audit adjustment	\$ (4,578)	\$ (5,128)	\$ —	\$ (9,706)

The parameters and guidelines state, “Public school employers will be reimbursed for the ‘increased costs’ incurred as a result of compliance with the mandate.” Government Code section 17514 states that “costs mandated by the State” means any increased costs that a school district is required to incur.

Government Code section 17560 requires school districts to file an annual reimbursement claim that details the costs actually incurred for the fiscal year.

**Recommendation**

We recommend that the district ensure that all claimed costs are properly supported and reimbursable under the mandated program.

**District’s Response**

The district did not respond to this finding.

**Attachment—  
District's Response to  
Draft Audit Report**

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# Berkeley Unified School District

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(510) 644-8599 Fax: (510) 644-8885 Javetta\_Robinson@berkeley.k12.ca.us



DEPUTY SUPERINTENDENT  
Javetta Robinson, CPA

October 9, 2007

Jim L. Spano, CPA  
Chief, Compliance Audits Bureau  
Division of Audits  
State Controllers Office  
P.O. Box 942850  
Sacramento, CA 94250-5874

RE: Berkeley Unified School District  
Collective Bargaining  
Audit of Annual Mandate Reimbursement Claim  
Fiscal Years 2001/02 thru 2003/04

This letter responds to the draft audit report issued by the State Controllers Office (SCO) with regard to costs claimed by Berkeley Unified School District (District) for the legislatively mandated Collective Bargaining program (CB) (Chapter 961, Statutes of 1975 and Chapter 1213, Statutes of 1991) for the period of July 1, 2001 through June 30, 2004. The District extends its appreciation for the professional courtesy of SCO staff shown during this audit. The District also appreciates this opportunity to respectfully disagree with a selection of findings made by the SCO. It is our hope that the SCO will revisit these and recalculate the allowable costs claimed by the District.

Please note that this letter does not represent a complete list of the District's disagreements with the draft audit report, and that the District reserves the right to raise other issues (if necessary) in subsequent proceedings related to the SCO's audit of these claims.

Finding 1: Unallowable salary and benefit costs, and related indirect costs.

The District claimed \$303,354 in employee salary and benefits. The SCO disallowed \$80,082. Of the \$80,082, \$20,547 was attributed to "ineligible costs, with the remainder attributed to "unsupported hours."

A) Ineligible Costs

- a. The SCO disallowed "\$19,340 in FY 2001/02 (identified in the draft audit report table as FY 2002/03 [pg 6]) for employee development costs, including costs to attend conferences and workshops which are not reimbursable activities." The Parameters and Guidelines (P's & G's) for the Collective Bargaining program allow for "reasonable costs incurred for a reasonable number of training sessions held for supervisory and management personnel on contract administration/interpretation of the negotiated contract." While the District acknowledges that costs associated with training on FRISK are not reimbursable, the District is concerned about the broad assumption made by the auditor for the remaining costs. The District is unaware of how the claimed costs are outside the P's & G's as the auditor only provided a spreadsheet with disallowed costs cited as "not CB related" or "insufficient records." The source documents provided to the SCO clearly indicate the nature of the activity and the District believes the activity to be eligible as defined by the P's & G's.

B) Unsupported Costs

- a. The SCO disallowed \$55,938 in FY's 2001/02 thru 2003/04 (identified in the draft audit report table as FY's 2002/03 thru 2004/05 [pg 6]) due to "duplicated hours...insufficient documents...and unsupported costs." The District acknowledges that some duplication of costs did occur and regrets the error. However the District disagrees with the SCO that the total cost attributed to duplication, \$33,315, is accurate. Specifically the District believes that:
  - i. 77.26 hours attributed to component G1-G3 for duplication of costs in FY 2002/03 for Brier, T is overstated.
  - ii. 39.75 hours attributed to component G1-G3 for duplication of costs in FY 2002/03 for Faurie, G is overstated.
  - iii. 100.50 hours attributed to component G1-G3 for duplication of costs in 2002/03 for Valentine, R is overstated.

The District was not provided with detail by the auditor that tied the SCO's findings to the disallowed hours. Instead the report cites "77.26 double claimed" hours without citing which source documents were assigned to the error. Therefore, it was difficult for the District to reconcile all the disallowed errors to the SCO's findings. The District respectfully requests the SCO review the above disallowances



and in the future provide claimants with the detail necessary to address and resolve the issues at hand.

In FY 2003/04 (identified in the draft audit report table as FY 2004/05 [pg 6]) the SCO disallowed \$4,539 (65.10 hrs) in claimed costs for components G4-G7. These costs were claimed for T. Brier (Director of Classified Personnel) for the resolution of contract grievances as allowed by the P's & G's. The auditor's notation regarding the disallowance states "could not tell nature of grievance." The source documents used to report these costs, and provided to the SCO, clearly state the nature of the grievance and activity being performed. The SCO's disallowance of these costs because it was too difficult to determine the "nature of the grievance" is not reasonable.

Ultimately, the District has no issue with the disallowances, which are clearly demonstrated to be in error or outside the allowable activities. The duplication of costs, at least those that could be reconciled, is regrettable and rightfully disallowed. Contract services costs for training on FRISK (an acronym for an employee evaluation procedure) are without question ineligible. It is those costs that the SCO disallowed without providing a detailed explanation that concerns the District. Since the SCO did not provide detailed accounting of the ineligible costs, the District cannot respond without knowing exactly which costs / activities are being disallowed.


For every fraction of time/costs claimed, and for every fiscal year, the district provided the SCO with a spreadsheet detailing the following:

- a) Log ID# (identification # assigned by the claim preparer for that particular log/invoice).
- b) Site Name (assigned location of the employee)
- c) Item Code (description of the activity claimed)
- d) Name Title (name and title of employee/contracted service)
- e) Rate (hourly rate + benefits of employee or rate of contracted service)
- f) Time (increment of time being claimed for the activity by the employee or contracted service).

This service was provided to the SCO to facilitate its execution of the audit. No single cost claimed by the District was unaccounted for on the spreadsheet. However when the SCO issued its findings none of the disallowances was tied to the detail above. Instead, disallowed costs were grouped in general categories. When the claim preparer asked the auditor if a more detailed outline of the disallowances could be provided, the auditor suggested that due to the large volume of documents submitted by the District she was simply unable to construct such a document. The auditor's response is an unacceptable excuse. The claim preparer has advised the District that in other audits of this program, the SCO has provided this level of detail, which allowed claimants to clearly identify the source of the disallowance.

In conclusion, the District has two requests. First, the District requests a review of the audit findings and disallowances as they relate to the duplicated costs identified in this response. Secondly, in any future audit, The District request the SCO to provide the information it needs to address and resolve any deficiencies of its claims under audit. The District is committed to submitting properly documented claims in support of its rightful reimbursement(s).

Sincerely,



Javetta Robinson, CPA  
Deputy Superintendent

**State Controller's Office  
Division of Audits  
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